



Manager's Internal Control Program FY2006

USACE Leadership MICP Training





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Agenda

- Why
- Who
- What
- Where
- When
- Summary





Why?





Why Bother?

Effective internal controls ensure:

- **Accurate and reliable information**
- **Compliance with laws and policies**
- **Safeguarding of resources**
- **Economical and efficient use of resources**
- **Safety of Operations.**





Why the dilemma to spill the beans?

- **Some hesitate to report for “fear of criticism” or “fear of unwanted help”**
- **Some have excuses like “it was reported through other channels” or “it’s already been fixed” or “it was just human error”**





Why report?

It's important to:

- **Share information**
- **Elevate problems for help**
- **Maintain credibility**





Internal Control References

- **DoD Website: <http://www.dod.mil/comptroller/fmfia/index.html>**
- **Federal Managers' Financial Integrity Act of 1982 (PL 97-255)**
- **OMB Circular A-123, Management's Responsibility for Internal Control, August 5, 2005 (Recently revised **in response to Sarbanes-Oxley Act**)**
- **DoD Directive 5010.38, Management Control Program, 26 August 1996 - (Being Cancelled)**
- **DoD Instruction 5010.40, Managers' Internal Control Program Procedures, January 4, 2006 (Recently Revised)**
- **Guidelines for Preparation of the Federal Managers' Financial Integrity Act Annual Assurance Statement - November 8, 2005**
- **GAO Standards for Internal Control in the Federal Government, November 1999**
- **<http://www.gao.gov> gao/aimd-21.3.1 - publications**





REMEMBER: Internal controls are not an end in themselves. They are a means to an end: Mission Accomplishment.





Who?





And the answer is:

YOU!





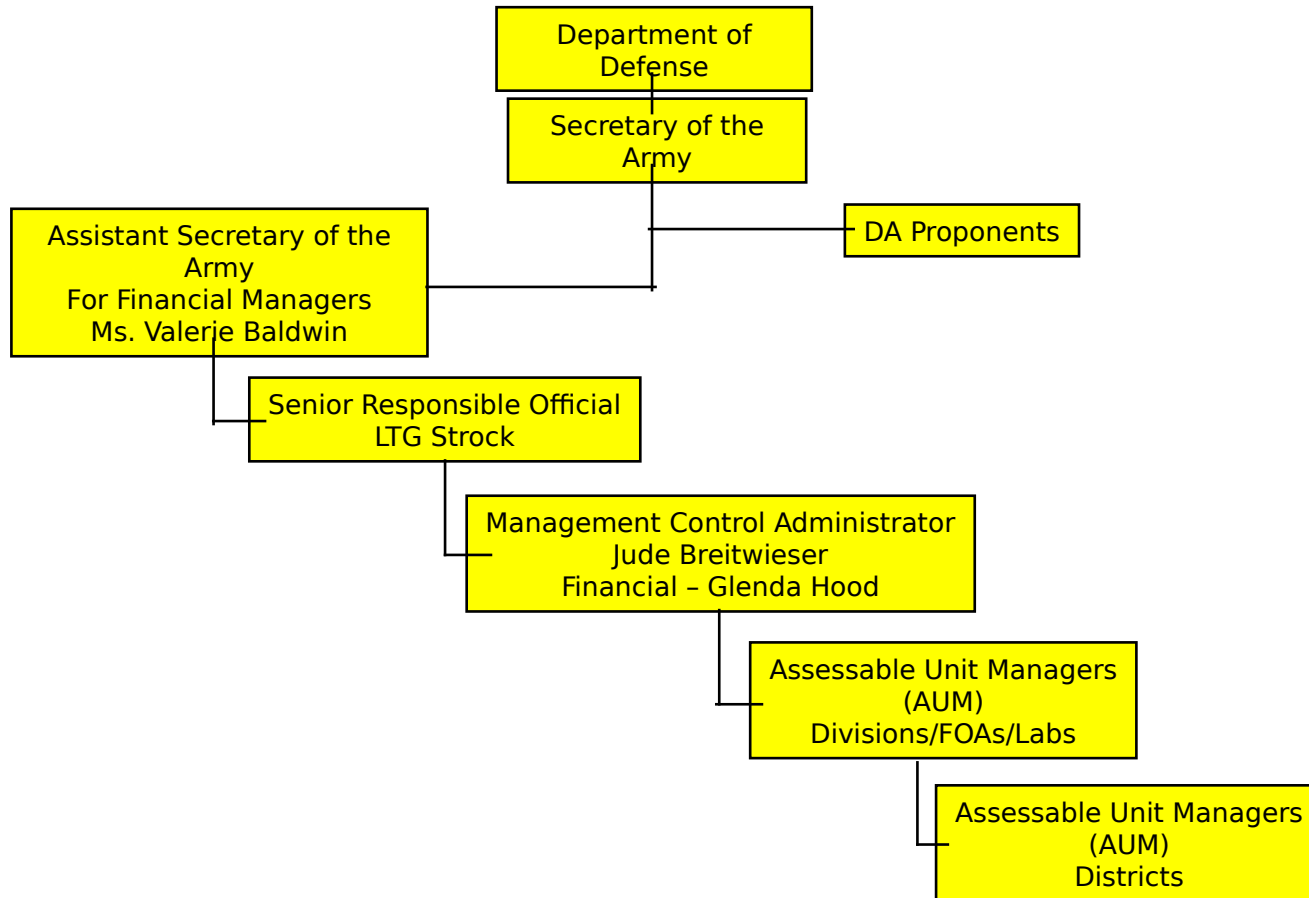
Your Responsibilities:

- **you are responsible for establishing and maintaining internal controls to include risk assessment, identification of material weaknesses and the management of corrective actions**





Management Control Hierarchy





What?





What's an Internal Control?

- **It's anything that's intended to ensure:**
 - What should happen does happen
 - What shouldn't happen doesn't happen





What's Risk?

- **The likelihood that a flaw in internal controls will cause mission failure**





What are the risk factors?

- **Fraud, Waste, Abuse, or Mismanagement of Government Resources**
- **Effect on combat readiness or program accomplishment**
- **Illegal acts**
- **Political sensitivity or media interest**
- **Effect on safety, health, security or morale**
- **Systemic weaknesses - might result in recurring problems**
- **Minor deficiencies that become significant in the aggregate**
- **Previously identified problems not being corrected**





What's the plan?

- **Critical internal controls are identified by HQDA, HQUSACE, SUBORDINATE COMMANDS**
- **A Five year plan is established by functional proponents and reviewed at least once every five years**





HQDA AREAS OF CONCERN (DA SYSTEMIC MATERIAL WEAKNESSES)

- **Financial Management Systems and Processes**
- **Management of Information Technology and Assurance**
- **Environmental Liabilities**
- **Personnel Security Investigations Program**
- **Real Property Infrastructure**
- **Government Card Program Management**
- **Valuation of Plant, Property and Equipment on Financial Reports**
- **Valuation of Inventory on Financial Reports**
- **Improper Use of Non-Department of Defense Contracting Vehicles**
- **Contracting for Services**
- **Inaccuracy of Contracting Federal Procurement Data Reporting**





What's a Material Weakness

- **It's a problem with internal controls that are:**
 - **Not in place**
 - **In place, but not used**
 - **In place but not adequate**





What's material?

- **Involves a weakness in internal controls**
- **Warrants the attention of the next level of command for their action or awareness**



What's a Corrective Action Plan?

It's a get well plan for the internal control.

- **Develop for all weaknesses, not just for material weaknesses**
- **Correct the most significant components of the weaknesses ASAP**
- **Focus on primary actions that will fix the breakdown**
- **Identify immediate/interim actions to stop the problem**
- **Establish milestones**





What's the Annual Assurance Statement

- **Acknowledges assigned responsibilities and reports on conditions of internal controls**
- **Provides a basis of assurance that internal controls are in place and working as intended**
- **Serves as a feeder statement for the USACE statement to HQDA**





Where?





Where to look?

**...and the answer is:
THEY'RE EVERY WHERE!**





When?





When do you use internal controls?

ALL THE TIME





When is the report due?

- **The Annual Assurance Statement is due in the Spring of the year, usually around the May timeframe. Guidance is forthcoming in late December.**





Summary

Leadership's role in internal controls should be to set the overall tone of the organization by:

➤ **Communicating expectations:**

- For program execution: evaluate your controls
- Identify material weaknesses and correct them

➤ **Focus on controls in the day-to-day operations:**

- “What controls should have prevented this problem? Why didn't the controls work?”

➤ **Use the Internal Control Plan as a tool for oversight**



QUESTIONS?

